

**SALES AND USE TAX REVIEW COMMISSION
RECOMMENDATION PURSUANT TO P.L. 1999, C. 416**

BILL NUMBER:

A-2463

DATE OF INTRODUCTION:

March 6, 2008

SPONSOR:

Assemblyman Albano
Assemblyman Milam

DATE OF RECOMMENDATION:

April 17, 2008

IDENTICAL BILL:

S-424

COMMITTEE:

Assembly Appropriations Committee

DESCRIPTION:

This Bill proposes to phase out the imposition of sales tax on certain initiation fees, membership dues and dues over a two year period.

ANALYSIS:

The New Jersey Sales and Use Tax Act was recently amended to impose tax on "initiation fees, membership fees or dues for access to or use of the property of facilities of a health and fitness, athletic, sporting or shopping club or organization in this State, except from membership in a club or organization whose members are predominantly age 18 or under."

Since the time of its enactment, sales of memberships, etc. made by government entities and certain qualifying non-profits have been excluded from this imposition. This has left a disparity of sales tax treatment throughout the industry.

This proposal intends to phase out that imposition over the course of a two year period, with half the sales tax rate imposed in 2009 and the expiration of the tax at the conclusion of 2010.

As this area of imposition was enacted effective October 1, 2006, this area is a new revenue source for the State. The Commission has not previously been presented with any reasoning compelling enough to support the repeal or chipping away of this new initiative. However, the Commission agrees with testimony from industry representatives that the recent carve-out for government and exempt organizations has created an inherent unfairness in the application of this imposition and supports a phase out of the imposition in its entirety.

RECOMMENDATION:

The Commission recommends enactment of this Bill.

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COMMISSION MEMBERS FOR PROPOSAL: 6

COMMISSION MEMBERS AGAINST PROPOSAL: 2

COMMISSION MEMBERS ABSTAINING: 0